

## Business Rates: transparency and disclosure of information on business rates valuations

### Response by the Chartered Institute of Taxation

#### 1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 The Valuation Office Agency (VOA) is asking for views on the disclosure of more information on business rates valuations including access on request to an analysis of evidence used to calculate the rateable value of property with an explanation of how that evidence has been used.
- 1.3 We are concerned that there is the risk of a major bottleneck in the system. It is likely that a large proportion of ratepayers will put in requests soon after each 1 April when a new rating list is published. It will be necessary for the VOA to respond in time to allow ratepayers and their agents to construct and submit a Challenge - within the new 6-month window - by 30 September. The ability of the VOA to respond to these requests will depend in part on ratepayers' awareness of and compliance with the new information obligations set out in the Non Domestic Rating Bill. These may take some time to bed in.
- 1.4 We suggest consideration needs to be given to the whole question of maintenance of the list and how transparency would work alongside it. Otherwise it appears the greater transparency only operates at fixed points and would lose its validity and utility as time progresses.
- 1.5 While we welcome greater transparency overall, the possible examples of greater transparency in the consultation appear to indicate less information will be provided than is currently available in response to a Challenge request.
- 1.6 We suggest that all the data underpinning a valuation should be presented at one level, but with a help sheet one click away that explains how rents are analysed, adjusted to the Antecedent Valuation Date (AVD) and rateable value determined.

## 2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 The CIOT’s Business Rates Working Group consists of rating specialists and tax advisers including members in industry.
- 2.5 Our members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

## 3 Introduction

- 3.1 The consultation concerns proposals to provide increased transparency to ratepayers to allow them to request access, via a largely automated process, to an analysis of evidence used to set their rateable value (‘analysis of evidence’). Currently specific information about the underlying evidence used to determine rateable value is only provided at the formal Challenge stage.
- 3.2 The aim of greater transparency is
  - to help build trust and a perception of fairness by helping ratepayers to better understand their rating assessment; and
  - to enable ratepayers to make swifter and more informed decisions about whether to challenge their rating assessment or not.
- 3.3 The Non-Domestic Rating Bill<sup>1</sup> introduces new 3 -yearly valuations (instead of 5-yearly) and imposes a new duty on ratepayers to notify the VOA of information that affects their business rates liability including changes to occupation, to the lease/rent or to the property. A ratepayer would only be able to access more detailed rateable value information if they have complied with the new duty. The consultation states that the new duty on ratepayers is a quid pro quo for proposed greater transparency; the duty is ‘a fair exchange for, and a ...pre-requisite to, increased transparency that would follow.’<sup>2</sup>

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<sup>1</sup> <https://bills.parliament.uk/bills/3442>

<sup>2</sup> Paragraph 1.23 of the consultation

- 3.4 Greater transparency is likely to involve providing information to a ratepayer that relates to other businesses and their property. A key principle in future design will be assessing what might be disclosed and what might be sensitive.
- 3.5 The additional powers to implement greater transparency are included at clause 10 of the Non-Domestic Rating Bill (the Bill) under which a ratepayer may make a request for information that has been used by a valuation officer to determine the rateable value of the ratepayer's property. A valuation officer may disclose this information if they 'consider it reasonable to do so' and it is in line with data protection legislation.
- 3.6 Our stated objectives for the tax system include:
- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
  - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
  - Greater certainty, so businesses and individuals can plan ahead with confidence.
  - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
  - Responsive and competent tax administration, with a minimum of bureaucracy.
- 3.7 We respond only to question 11. The other questions are largely aimed at individual ratepayers/landlords and tenants to respond in respect of their specific circumstances.

**4 Question 11: Are there any other views not covered in previous answers that you'd like to share about the transparency/disclosure proposal?**

***Interaction with new 6-month Challenge window for the 2026 list***

- 4.1 The consultation does not mention the interaction of the greater transparency proposals with the government's confirmation<sup>3</sup> that a new 6-month limit for making Challenges will apply to the 2026 list; a fundamental change for ratepayers and their agents. Notwithstanding the consultation's silence on that point, it appears that ratepayers/agents will make the request for an analysis of evidence through the portal in early April and have 6 months to decide whether to submit a Challenge. We agree that this should filter out many ratepayers who then take the view that there is broad comparability between their property and similar properties in the locality and do not see the need to Challenge.
- 4.2 However we are concerned that there is the risk of a major bottleneck in the system. It is likely that a large proportion of ratepayers will put in requests soon after each 1 April when a new rating list is published so that the system will need to respond in time to allow for ratepayers and their agents to construct and submit

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<sup>3</sup> See paragraph 1.31 Summary of responses to the technical consultation:

*1.31 The government recognises that stakeholders need to adjust to shorter Challenge windows, therefore the three-month window will be extended to a six-month window for the 2026 lists. The length of the window will be kept under review, but the government intends to move to a three-month window from the 2029 lists and thereafter.*

the Challenge by 30 September. The ability of the VOA to respond to these requests will depend in part on ratepayers' awareness of and compliance with the new information obligations. These may take some time to bed in.

- 4.3 There is no consideration of what happens when Challenges are made and settled as time goes on and how that affects the information provided to ratepayers under the greater transparency proposals. Prior to Check Challenge Appeal there was a concept known as 'VO maintenance of the list'. Where a ratepayer(s) successfully appealed a rateable value the newly reduced value became a 'tone' that was applied to say, the parade of shops or a row of industrial units that included the ratepayer's property. The VOA applied the lower price to all units even though some ratepayers had not appealed. In the absence of this approach, the list would become inequitable with some properties having reduced rateable values and others staying at their higher level. Would the transparency data refer to the old higher rateable value on some properties and the lower appealed rateable value on other properties in the basket of evidence?
- 4.4 We suggest consideration needs to be given to the whole question of maintenance of the list and how transparency would work alongside it. Otherwise it appears the greater transparency only operates at fixed points and would lose its validity and utility as time progresses.
- 4.5 Are the transparency proposals intended to operate only from 1 April to 30 September switching off when the 6-month time limit to Challenge ends?

#### ***Transparency data***

- 4.6 While we welcome greater transparency overall, the possible examples of greater transparency in the consultation appear to indicate less information will be provided than is currently available in response to a Challenge request, for example they do not include the date the rent was set or reasons that rent is adjusted. As recognised in the consultation, there is likely to be a mismatch between the information required by experienced rating agents seeking to advise clients on the merits of a Challenge and ratepayers seeking some reassurance that their rateable values are broadly comparable.
- 4.7 We suggest that all the data underpinning a valuation should be presented at one level, but with a help sheet one click away that explains how rents are analysed, adjusted to the Antecedent Valuation Date (AVD)<sup>4</sup> and rateable value determined. It would be helpful if the help sheet includes:
- An explanation of areas of common misunderstandings about how the AVD works and the fact that ratepayers have to wait for the next AVD for movements in the rental market to flow through to rateable values.
  - Information about how the VOA looks at weighting rental evidence and how a tone/averaging approach applies to a given locality. The key will be for ratepayers to understand that their rateable value will in most cases not equate to their rent due to the analysis and adjustment process across a whole basket of rents in the locality.
  - Information for ratepayers about the rules on Material Change of Circumstances appeals for changes in circumstances as a result of external factors (for example, roadworks outside the property) and internal factors (such as refurbishment/building works to the actual property).

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<sup>4</sup> Valuations are based on the open market annual rental value of the property at a set point in time set in law known as the Antecedent Valuation Date (AVD).

- An indication of how to request maintenance of the list to reflect splits or mergers as a result of subletting or acquisition of adjacent property.

## **5 Acknowledgement of submission**

- 5.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

2 June 2023